

IRS News Release

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IRS Strengthens Employee Tax Compliance Program

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WASHINGTON — As part of a continuing effort to ensure tax compliance, the IRS is taking new steps to ensure that agency employees strictly meet and follow their tax filing and payment requirements.

As the agency places a new emphasis on overall taxpayer compliance, IRS Commissioner Mark W. Everson announced that additional steps will be taken to ensure IRS employees follow the law. The multi-step initiative will include a new review of tax behavior of IRS employees, a deeper IRS compliance and auditing effort for employees and an expanded education and outreach effort inside the agency.

The agency already regularly reviews employee tax returns and other information to ensure IRS employees strictly adhere to the tax law's requirements.

"For the IRS, enforcement begins at home. We are serious about tax enforcement — whether it's our own employees or anyone else not following the law," Everson said.

The new initiative follows a review by the IRS and the Treasury Inspector General for Tax Administration (TIGTA) involving the tax returns of about two dozen agency employees who filed Schedule C, "Profit or Loss from Business."

Earlier this year, IRS employees raised questions about tax returns being submitted by other agency employees involving Schedule C returns. In turn, the Treasury Inspector General for Tax Administration was alerted. About half of the 25 employees identified had tax compliance issues following an investigation of their Schedule C filings. Several employees in the inquiry have already lost their jobs.

"I am disappointed that a small but unacceptable number of our employees have generated false business deductions to reduce their taxes. We have a zero tolerance standard for abuse of the tax laws by employees," Everson said. "As administrators of the tax system, our employees must maintain the absolute highest standards when it comes to their own taxes."

The Internal Revenue Service is required by provisions of the IRS Restructuring and Reform Act of 1998 to fire employees when it is shown they have willfully understated their tax liability or willfully failed to file a tax return. Depending on the severity of situation, the IRS also has other penalties available, such as suspensions, admonishments and loss of pay grade.

Following the initial questions about Schedule C filings, Everson decided to expand existing compliance checks and safeguards for IRS employees. Part of this includes a broader audit and compliance program, and the Schedule C area has been identified as an initial area of focus.

The IRS has identified approximately 800 employees for further review, and they face an examination on Schedule C issues, most of which are already underway. The IRS has about 115,000 full- and part-time employees.

Everson emphasized that the IRS expects many of the employees facing exams will be able to substantiate their tax filings. For those who aren't able to substantiate their claims, appropriate action will be taken depending on the nature and severity of the situation.

"We are appreciative that our own employees brought this issue to our attention, and this reflects the overwhelming commitment of our employees to maintain faith and integrity in our tax system," Everson said. "We are also grateful for the important assistance provided to us by TIGTA."

"I'm extremely disappointed that any of our employees would file erroneous income tax returns to avoid paying their taxes," stated Treasury Secretary Snow. "This is behavior that simply cannot be tolerated. I heartily applaud the IRS employees who brought this issue to the surface, and Commissioner Everson for taking quick action. Working with the vast majority of IRS employees who follow the rules, we will continue our efforts to ensure that all Americans comply with the tax laws and pay what they owe."